

**AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS**

Oregon Administrative Rules 162-10-050 through 162-10-320 incorporated in the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, and comments and disclosures required in audit reports. The required statements and schedules are set forth in the preceding sections of this report. Required comments and disclosures related to the audit of such statements and schedules are set forth in the following pages.



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AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS

November 5, 2004

Honorable Mayor and City Council
City of Beaverton
Beaverton, Oregon

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Beaverton, Oregon (the City), as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 5, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

ADEQUACY OF ACCOUNTING RECORDS

The City's accounting records were reasonably maintained and adequate to support our audit of the basic financial statements.

AUDIT COMMENTS AND DISCLOSURES
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ADEQUACY OF COLLATERAL SECURING DEPOSITORY BALANCES

Oregon Revised Statutes Chapter 295 requires that each depository throughout the period of its possession of public fund deposits shall maintain on deposit with its custodians, at its own expense, securities having a value not less than 25% of the certificates of participation issued by the pool manager for funds in excess of those insured by the Federal Deposit Insurance Corporation. Our review of adequacy of collateral securing depository balances indicated that collateral was sufficient during the year ended June 30, 2004.

INVESTMENTS

Our review of deposit and investment balances indicated that, during the year ended June 30, 2004, the City was in compliance with ORS 294 as it pertains to investment of public funds.

LEGAL REQUIREMENTS RELATING TO DEBT

The general obligation bonded debt of the City is in compliance with the limitation imposed by ORS 287.004. We noted no defaults in principal, interest, sinking fund, or redemption provisions with respect to any of the City's bonded debt, and no breach of the bond agreements, at June 30, 2004.

BUDGET COMPLIANCE

The City appears to have complied with Local Budget Law (ORS 294.305 to 294.520) in the preparation, adoption and execution of its budget and tax levy for the year ended June 30, 2004, and the preparation and adoption of its budget for the year ending June 30, 2005. A description of the budgeting process is included in the Notes to the Basic Financial Statements.

INSURANCE POLICIES AND FIDELITY BONDS

We have reviewed the City's insurance and fidelity bond coverage at June 30, 2004. We ascertained that such policies appeared to be in force and in compliance with legal requirements relating to insurance and fidelity bond coverage. We are not competent by training to comment on the adequacy of the insurance policies covering City property at June 30, 2004.

AUDIT COMMENTS AND DISCLOSURES
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PUBLIC CONTRACTS

The City's procedures for awarding public contracts were reviewed and found to be in accordance with ORS 279.

PROGRAMS FUNDED FROM OUTSIDE SOURCES

In a separate report dated November 5, 2004, we have reported on the Schedule of Expenditures of Federal Awards. We have also reported on internal control over financial reporting and on compliance and other matters based on an audit of the basic financial statements performed in accordance with *Government Auditing Standards* and compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133.

FINANCIAL REPORTING REQUIREMENTS

We have reviewed financial reports and other data relating to programs funded wholly or partially by other governmental agencies. This data, filed with other governmental agencies, is in agreement with and supported by the accounting records.

HIGHWAY FUNDS

The City's procedures for utilizing gas tax funds were reviewed and found to be in accordance with ORS Chapter 294.

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This report is intended solely for the information and use of the City Council, management, the Oregon Secretary of State Audits Division, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

TALBOT, KORVOLA & WARWICK, LLP
Certified Public Accountants

By 
Roger A. Korvola, Partner